



ANNUAL REPORT

2005-06

CELESTIAL LABS LIMITED

Plot No.231 A, MLA Colony, Road No. 12, Banjara Hills,
Hyderabad - 500 034, A.P., India
Phone: 23540008, 23552799, 23540558
Fax No: ++91 040 23542844.
email: business@celestiallabs.com
www.celestiallabs.com

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. A. N. Singh	Managing Director
Mr. Subhash Srivastava	Director
Mrs. Padma Singh	Director
Dr. D. C. Sastry	Director
Mr. K. C. Sarma	Director

REGISTERED OFFICE

Plot No. 231 A,
M L A Colony
Road No. 12, Banjara Hills
Hyderabad 500 034,
A.P. India
Phones: +91 40 23540008
Fax : 091 40 23542844

STATUTORY AUDITORS

M/s. G.V. Rao & Co
Chartered Accountants
G/4, Santi Apartments
Anand Nagar Colony
Khairatabad
Hyderabad 500 004

BANKERS

State Bank of India Industrial Finance Branch Somajiguda Hyderabad-500 082.	ICICI Bank Limited Road No. 33 Jubilee Hills Hyderabad 500 033
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NOTICE

Notice is hereby given that the Eighth Annual General Meeting of the Company will be held at its Registered Office at Plot No.231 A, M L A Colony, Road No.12, Banjara Hills, Hyderabad 500 034, Andhra Pradesh, on Thursday, the 2nd day of June 2006 at 11 A.M. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Profit & Loss Account for the financial year ended 31st March 2006, Balance Sheet on that date along with the Reports of the Directors' and Auditors' thereon.
2. To appoint Mr. Subhash Srivastava, Dr. D.C.Sastry and Mr. K.C.Sarma, Directors, who will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.
3. To Appoint M/s. G. V. Rao & Co, Chartered Accountants to hold the office from the conclusion this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy or proxies so appointed need not be a member or members, as the case may be, of the company. The proxies to be effective, the instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarised copy of that power of attorney or authority shall be deposited at the registered office of the company not later than 48 hours before the time fixed for commencement of the meeting.
2. Members are requested to notify to the company immediately any change in their address or transfer/transmission of shares, as the register of Members and Share Transfer books of the company will be closed from 5th May 2006 to 3rd June 2006 (both days inclusive) in connection with the Annual General meeting.

BY order of the Board of Directors

Place: Hyderabad
Date : 10.05.2006

A. N. SINGH
Managing Director

DIRECTORS REPORT

Dear Members,

Your Directors have pleasure in presenting the Eighth Annual Report of your Company along with the audited Statement of Accounts for the financial year ended 31st March 2006. The Report also includes the Management Discussion and Analysis Report in accordance with the Guidelines on Corporate Governance and consolidated Financial Statements.

The highlights of the financial results for the year 2005-06 in comparison to the year 2004-2005 are as follows:

(Rs. In Lakhs)

Particulars	2005-06	2004-05
Sales	1022.18	804.98
Profit before Interest and Depreciation	357.61	285.45
Depreciation	25.53	17.50
Profit Before Tax	332.07	267.95
Provision for Taxation Current Tax	1.49	
Deferred Tax	2.35	
Net Profit for the year	328.23	267.95
Profit & Loss Account balance brought forward	559.89	294.92

PERFORMANCE

During the year 2005-06 under review, your company has achieved a turnover of Rs. 1022.18 lakhs as compared to Rs. 804.98 lakhs in the previous fiscal year 2004-05. The sales are higher by 27%. The growth has been achieved by offering services using bioinformatics techniques dedicated to life science sectors and also through cost saving methods. The EPS has also increased from 4.71 in 2004-05 to 5.30 in 2005-06.

FUTURE OUTLOOK

Your Company is hopeful of better performance in the years to come since the company is developing the biotech products, which will be marketed globally.

RECOGNITIONS

- a. **DSIR, New Delhi** - Company's in house R & D has been recognized by Department of Scientific and Industrial Research, Ministry of Science and Technology, New Delhi. And also DSIR is funding Rs 75 lakhs for developing the toxicity prediction module in our drug design tool called celsuite.
- b. **Punjab National Bank** - the Bank has appraised total project cost and sanctioned a term of loan of Rs. 2.00 crores.

PATENTS / COPYRIGHTS

The company has applied to protect the IPR (Intellectual Property Rights) by filing the copyrights and patents for Celsuite, Vitiligo and Multiple Cancer.

PUBLIC ISSUE

Your company is planning an expansion proposal for production of Enzymes, a biotech Products, Drug Molecule Development etc with complete layout plan of approximately Rs. 40 Crores, which is partly to be financed by way of Public Issue of 50,00,000 Equity Shares of the Company. The expansion programmed has already been approved by the Board of Directors in the Board Meeting held on 22nd February 2006. Now all the documentation has been completed and provided to Lead Manager for submitting to SEBI, BSE and NSE.

CORPORATE GOVERNANCE

The Auditor's Certificate on compliance with the mandatory requirements of Corporate Governance is given separately in the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

A detailed section of the Management Discussion and Analysis forms part of the Annual Report.

EMPLOYEE RELATIONS

During the year under review, the company has enjoyed cordial relationship with almost all section of employees. The company believes that the employees play a vital role in increasing the turnover and profitability of the company and the strength of the company lie in harnessing the manpower in achieving sustained long-term growth in all spheres.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr. Subhash Srivastava, Dr D.C.Sastry and Mr K.C.Sarma, Directors, will retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

The existing Statutory Auditors, M/s. G.V. Rao & Company, Chartered Accounts retire at the ensuing Annual General Meeting and has confirmed their eligibility and willingness to accept office, if re-appointed.

DIVIDENDS

Since the Company is in growth mode and closely held in nature, the profits are re invested in the company and hence no dividend has been declared.

CONSERVATION OF ENERGY, RESEARCH, DEVELOPMENT & INNOVATION - Not Applicable.**FOREIGN EXCHANGE EARNINGS AND OUTGO, PURSUANT TO SECTION 217(1)(E) OF THE COMPANIES ACT, 1956****(Rs. In Lakhs)**

	2005-06	2004-05
Expenditure In Foreign Currency	72.75	17.86
Earning In Foreign Exchange	909.44	652.03

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility statement, it is hereby confirmed.

- That in the preparation of the accounts for the financial year ended 31st March 2006, the applicable accounting standards have been followed along with proper explanation.
- We have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year under review.
- We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and from preventing and detecting fraud and other irregularities.
- We have prepared the accounts for the financial year ended 31st March 2006 on a going concern basis.

HUMAN RESOURCES

The Information required under section 217(2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) (Amendment) rules 2002, be treated as NIL as none of the employees of the company draw remuneration in excess of Rs. 2,00,000 P.M. No employee is related to any director of the Company.

INTERNAL CONTROL SYSTEMS

Your company has well-established procedures for internal control system commensurate with its size and operations. The organization is adequately staffed with qualified and experienced personnel for implementing and monitoring the internal control environment.

ACKNOWLEDGEMENTS

The Board of Directors wishes to place their gratitude to the Government, Bankers for their kind cooperation. The Board is extremely thankful to all the Shareholders, Employees, and Customers for the unstinted support.

For and on behalf of the Board of Directors

A. N. SINGH
Managing Director

PADMA SINGH
Director

Place: Hyderabad
Date :10.05.2006

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW OF THE COMPANY PERFORMANCE

The Company outperformed the industry average in the year 2005-06. The combined all business segments of the company on a comparable basis, grew by a healthy 27% over the previous year. The substantial improvement could be attributed to a number of on-going initiatives undertaken by the management.

Financials

The company has achieved a turnover of Rs. 1022.18 lakhs from sales and services and against the turnover of Rs. 804.98 lakhs in previous fiscal year 2004-05. The sales are higher by 27%. The growth has been achieved through services made in biotechnology and bioinformatics and also through cost saving methods. The EPS has also increased from 4.71 in 2004-05 to 5.30 in 2005-06.

Business Analysis

Products

The Company has developed a de novo drug design tool "CELSUITE" to drug discovery in finding the lead molecules for drug discovery and protected the IPR by filing under the copy right/patent act. (Apprised and funded by Department of Science and Technology New Delhi) Based on our in silico expertise (applying bio-informatics tools). The Company has developed a molecule to treat Leucoderma and multiple cancer and protected the IPR by filing the patent. The patent details have been discussed with Patent officials and the response is very favorable. The cloning and purification under wet lab procedures are under progress with our collaborative Institute, Department of Microbiology, Osmania University, Hyderabad.

In the industrial biotechnology area, the company has signed the Technology transfer agreement with IMTECH CHANDIGARH (a very reputed CSIR organization) to manufacture and market initially two Enzymes, Alpha Amylase and Alkaline Protease in India and overseas.

The company is planning to set up a biotechnology facility to manufacture industrial enzymes. This facility would also include the research laboratories for carrying out further R & D activities to develop new candidates' drug molecules and license them to Interested Pharma and Bio Companies across the GLOBE. The proposed Facility will be set up in Genome Valley at Hyderabad in Andhra Pradesh.

Opportunities

Post Genomic period offers a great opportunity to us to use the Bioinformatics techniques and develop the new drug molecule and establish the leadership in US\$ 4.0 billion Bio services market worldwide. Celestial is uniquely positioned to take the initiative.

Concerns

Government is bringing the regulatory mechanism however, suitable infrastructure and trained personnel is still a big concern. Celestial is establishing a division to train the human resources considering all practical aspect.